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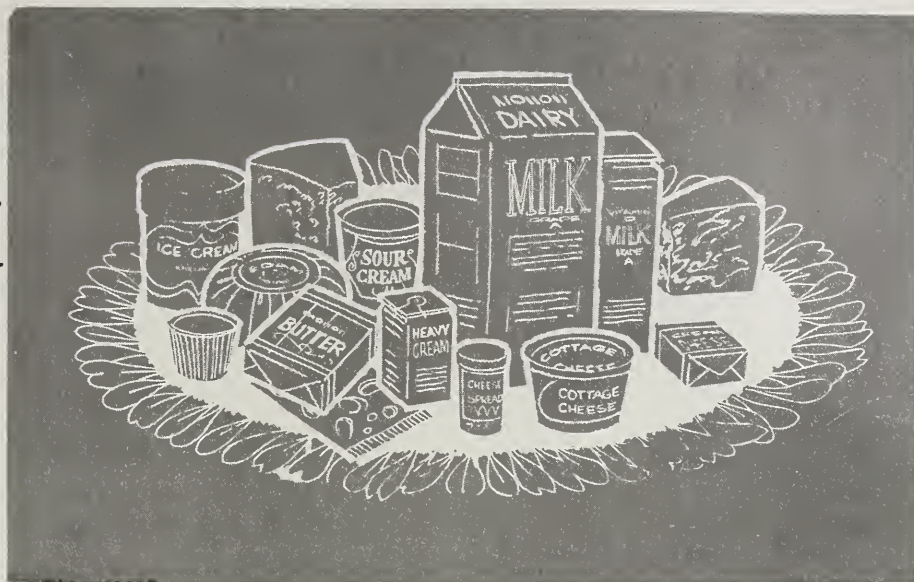
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THE

Market Administrator's BULLETIN

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MARKET ADMINISTRATOR



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ISSUED FOR PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

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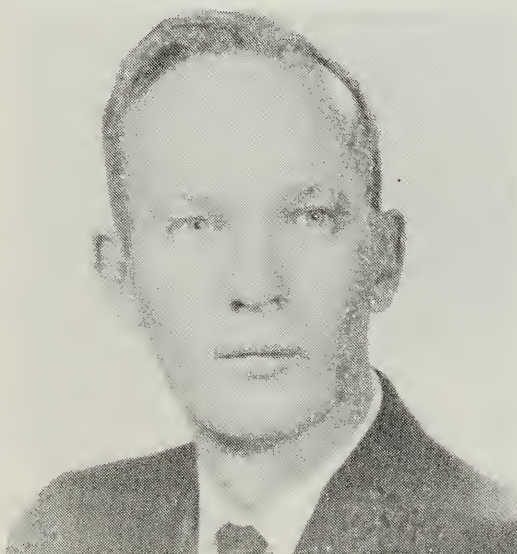
HAULING COSTS AND RATES IN BULK ASSEMBLY

Costs of bulk milk assembly and associated rate schedules are a matter of continuing concern to milk producers, milk haulers, and milk marketing cooperatives, according to Dr. Robert E. Jacobson, Professor of Agricultural Economics at Ohio State University, who along with Gary F. Fairchild, Graduate Assistant, recently completed a study on this subject.

One aspect of this concern is the cost per hundred-weight of picking up milk from a large volume producer as compared to the cost at a smaller volume stop. If costs vary with volume per stop, it is argued, then hauling rates should reflect this cost variation.

In this study, cost analysis was completed on 148 producer stops on six every-other-day pickup bulk routes in the Columbus, Ohio, milkshed. Stops ranged in volume from less than 200 lb. to more than 7,000 lb. per pickup.

The analysis indicated that the average total cost for milk hauling on stops of less than 1,000 lb. was 35.6 cents per cwt.; for stops in the range of 1,000 to 1,999 lb., the cost was 22.5 cents per cwt.; and for stops of 2,000 lb. and more, the cost was 16.3 cents per cwt. Since a flat hauling rate of 25 cents per cwt. was being charged producers at the time of this study, hauling rates for many individual dairy farmers bore only a limited relation-



Robert E. Jacobson

ship to the costs incurred in hauling their milk.

To establish rate making on a basis which reflects hauling economies associated with larger volume stops, two alternative rate plans are suggested. Both plans would provide haulers with the same total revenue they now receive through the flat rate plan. The first alternative, a schedule of rates, would simply vary rates with volume. The second alternative, a stop charge plan, would set a charge related to the fixed cost per stop. A volume charge based upon variable cost per hundred-weight would then be added to the stop charge.

MILK PRODUCTION IN 1967 AND 1968 REVISED DOWNWARD

Dairy Situation, March 1969

Milk production in both 1967 and 1968 was revised downward 0.5 billion pounds. Output in 1968 was placed at 117.3 billion pounds, 1.3 percent under 1967, and the smallest since 1952. Output was down in all production regions, except the Mountain and Pacific. The largest declines were in the Corn Belt (4 percent) and Northeast (2½ percent). The Lake States had a slight drop in output.

Milk production per cow rose 2.4 percent in 1968, sharply below the long-time annual 3 percent rise. Gains were below normal throughout the year, although rates picked up during the year from 1 percent gain early in 1968 to about 2½ percent by year's end. Small increases early in 1968 were due in part to poor forage quality in several Northern dairy States. Year-to-year gains in milk per cow are expected to remain below average during the winter feeding season, but may improve when cows go on pasture.

The number of milk cows on farms during 1968 averaged 13.0 million, 3.5 percent below 1967, the smallest drop in 5 years. During 1968, the rate of decline in milk cow numbers from a year earlier slowed slightly from 3.8 percent early in the year to 3.4 percent by year's end. Cow numbers dropped in all regions.



Miami Valley

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

	Feb. 1969	Jan. 1969	Feb. 1968
Producers' Uniform Price (3.5%)	\$5.69	\$5.81	\$5.38
Class I (3.5%)	6.10	6.16	5.76
Class II (3.5%)	4.19	4.19	3.91
Producer Butterfat Differential for each 1/10%	7.9¢	8.0¢	7.9¢

RECEIPTS AND UTILIZATION SUMMARY

Class I Pounds	28,845,232	32,784,180	29,732,190
Class II Pounds	7,656,239	6,586,381	7,442,685
Percent of Producer Milk in Class I	79.02	83.27	79.98
Percent of Producer Milk in Class II	29.98	16.73	20.02

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	36,501,471	39,370,561	37,174,875
Total Number of Producers	1,372	1,358	1,377
Average Daily Receipts per All Producers	950	935	931
Average Butterfat Test	3.87	3.97	3.92
Total Value of Producer Milk at Test	\$2,183,755	\$2,434,343	\$2,122,894
Income per Producer (7 Day Average)	\$398	\$405	\$372
Supply-Demand Adjustment to Class I Price (Cents)...	+ .33	+ .39	+ .27

NUMBER OF PRODUCER CHANGES

New Producers	17	7	18
Producers Resumed Shipping	1	0	2
Producers off Market	4	2	14

AVERAGE DAILY SALES (Quarts)

Milk	330,081	338,407	336,862
Buttermilk	8,253	8,175	8,892
Chocolate	30,055	28,371	32,162
Skim	107,024	106,729	91,976
Cream	5,108	5,084	5,430

COMPARATIVE STATISTICS

MIAMI VALLEY MARKETING AREA

FEB., 1960 - '69

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class		Uniform Producer Price (3.5%)	Class Prices at 3.5%		Number of Producers	Average Daily Prod.
			Class I	Class II		Class I	Class II		
1960	33,884,734	3.90	76.6	23.4	4.18	4.508	3.161	1,994	586
1961	35,443,426	3.92	73.2	26.8	4.30	4.735	3.262	1,911	662
1962	35,721,435	3.92	72.7	27.3	4.25	4.62	3.416	1,686	757
1963	32,999,605	3.94	75.2	24.8	4.11	4.44	3.237	1,519	776
1964	38,098,508	3.90	74.3	25.7	4.14	4.48	3.275	1,457	902
1965	35,852,031	3.92	83.4	16.6	4.40	4.64	3.282	1,413	906
1966	35,224,583	3.90	78.0	22.0	4.55	4.86	3.534	1,372	917
1967	36,620,920	3.89	78.7	21.3	5.28	5.62	4.038	1,356	965
1968	37,174,875	3.92	80.0	20.0	5.38	5.76	3.91	1,377	931
1969	36,501,471	3.87	79.0	21.0	5.69	6.10	4.19	1,372	950

MILK QUALITY STANDARDS ARE REFINED BY NEW RESEARCH

U. S. Department of Agriculture

Quality of milk in the store will be monitored more precisely thanks to tests devised with the help of U. S. Department of Agriculture scientists.

Although grossly abnormal milk hasn't been seen in retail stores for decades, the dairy industry seeks to perfect a quality standard that assures a wholesome, appetizing product. But such a standard has been hard to define.

In theory, the standard could limit the number of white blood cells permitted in milk. This theory is based on the fact that, in general, the white cell count in milk rises when a cow's udder gets infected. But authorities disagree on how high a cell count must go to be unacceptable.

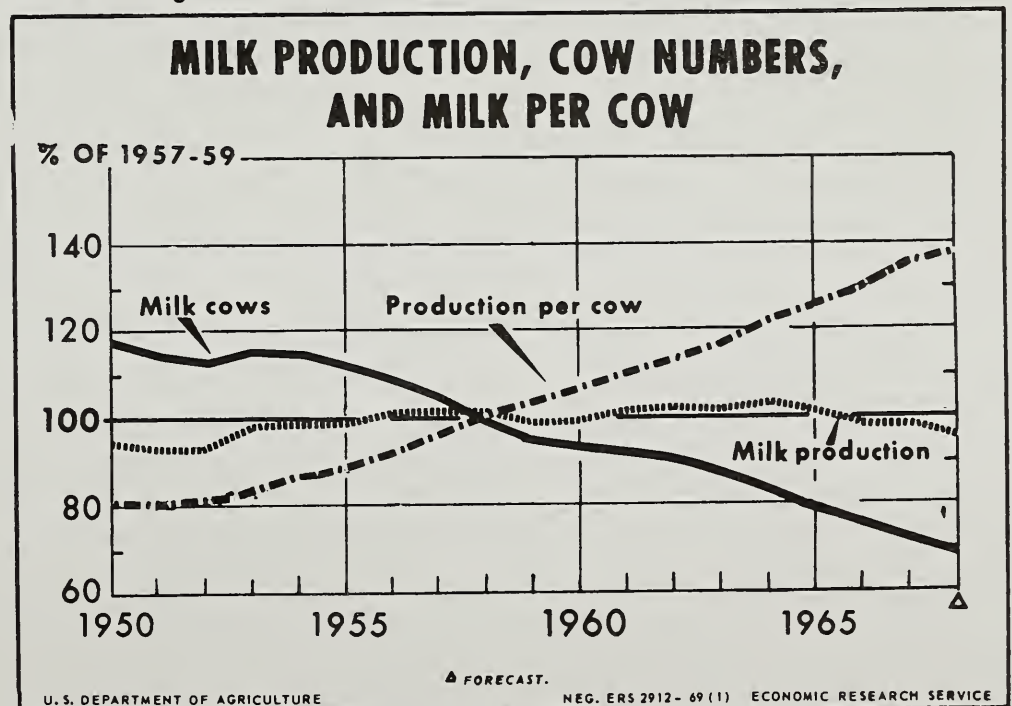
Even if there were agreement, confusion would persist because the 13 practical tests for estimating white cell levels differ in their readings on the same sample. And many readings on all tests were imprecise.

Dairy scientists Dr. W. Donald Schultze and Dr. James W. Smith of USDA's Agricultural Research Service, Beltsville, Md., joined a committee of scientists determined to arrive at a standard. To this task, Dr. Schultze contributed the design of a specially etched eyepiece for microscopes to guide the tester's eye in orderly fashion across a precisely measured area of a milk sample. This idea greatly improved accuracy and cut working time

in half. Dr. Smith contributed a method to determine statistically how greatly cell counts must differ before indicating a true difference in milk quality.

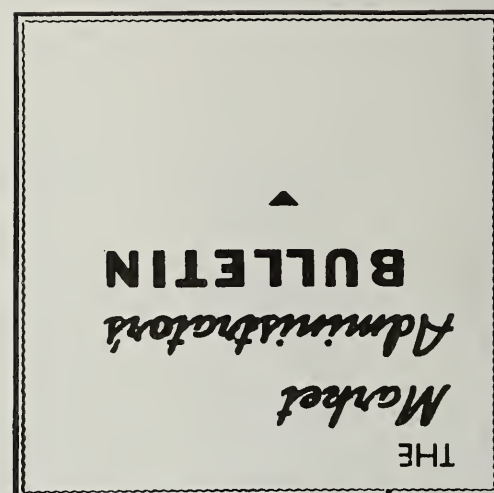
Findings by the committee of dairy scientists will have quick application. The Interstate Milk Shippers Association agreed with the U. S. Public Health Service to define acceptable milk as having no more than 1½ mil-

lion white blood cells per milliliter. According to a stage of enforcement that went into effect July 1, 1968, milk producers exceeding this limit may not continue to supply milk for interstate shipment until they eliminate the problem. Since State regulations are likely to follow the Federal standards, consumers are being provided one further guarantee of quality for the milk they buy.



This year's milk production is likely to decline from the 117.3 billion pounds estimated for 1968. Gains in output per cow are not expected to offset the continuing decline in milk cow numbers. Prices farmers receive for milk probably will be up some 5 percent from a year earlier through March, but only moderately in the second quarter. Prices for the year likely will be about 3 percent higher than in 1968.

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FARM MILK PRICES STILL GAINING

Dairy Situation, March 1969

Prices received by farmers for milk are running about 5 percent above year-earlier levels in early 1969. February milk prices averaged \$5.47 per 100 pounds, 5.2 percent above a year earlier. The 28-cent higher support price for manufacturing grade milk and increased Class I prices in Federal order markets will maintain prices about 5 percent above a year earlier through March.

Smaller gains are in prospect for the second quarter, reflecting the same support levels as a year earlier and seasonal gains in milk output that will bring supplies above commercial requirements.

In the second half of 1969, a tighter supply-demand situation than a year earlier may occur because of lower production and reduced stocks. These developments could cause a larger seasonal price rise and higher prices than a year earlier. Also, Class I prices in several Federal order markets were raised an average of 24 cents per 100 pounds last September to align their prices with those of the reinstated Chicago Federal order. These actions will cause some increase in farm milk prices through September 1969 relative to a year ago. For the entire year, prices farmers receive for milk may average some 3 percent above 1968.

Market Quotations

FEBRUARY

1969

MINNESOTA-WISCONSIN PRICE SERIES	\$4.23
Butter-nonfat dry milk price, 3.5% per cwt. (Columbus)	4.19
Average Price per lb. 92-score butter at Chicago	.6639
Average carlot prices, spray process nonfat dry milk, f.o.b. Chicago area manufacturing plants	.2294

USDA RECOMMENDS AMENDING THREE MILK ORDERS (W. VA., OHIO, PA., KY.)

The U. S. Department of Agriculture has recommended merging the Clarksburg, W. Va., and Eastern Ohio-Western Pennsylvania milk orders and amending the Tri-State milk order.

USDA's Consumer and Marketing Service officials said the recommended decision proposes that the merged order retain the present provisions of the Eastern Ohio-Western Pennsylvania order, with several changes.

As recommended, the present Clarksburg marketing area would be included in the Pittsburgh district where the Class I price differential of \$1.97 now applies. This would maintain about the same fluid milk (Class I) price level that has prevailed in the Clarksburg market for the past year.

Clarksburg would be made an additional measuring point for determining location adjustments in prices to handlers at outlying plants.

For the Tri-State order, the decision proposes an expansion of the inner-market zone where no location adjustments in prices are made, and a change in the adjustment rate at plant locations outside of this zone.

Other proposed changes in the Tri-State order would eliminate supply-demand adjustments to the fluid milk (Class I) price, and liberalize milk diversion privileges.

This recommended decision is based on public hearings held at Charleston and Clarksburg, W. Va., August 27-28, and December 10, 1968.